

Sunset Public Hearing Questions for  
**Collateral Pool Board**  
Created by Section 9-4-506, *Tennessee Code Annotated*  
(Sunset termination June 2013)

1. **Provide a brief introduction to the board, including information about its purpose, statutory duties, staff, and administrative attachment.**

*The Collateral Pool Board ("Board") is administratively attached to the Department of Treasury. Pursuant to Tenn. Code Ann. §9-4-508, the purpose of the Board is to oversee the risk-sharing pool of collateral pledged by participating banking institutions in order to guarantee public deposits. In providing this oversight, the Board approves a public depository's entry into the collateral pool; discontinues a public depositories' participation in the collateral pool; restricts the total amount of public deposits held by a public depository; and establishes collateral-pledging levels. Staff for the Board is comprised of two (2) Department of Treasury employees, Tim McClure, Assistant CIO / Director of Cash Management and Roger Henry, Assistant Cash Manager.*

2. **Provide a list of current members of the board and describe how membership complies with Section 9-4-506, *Tennessee Code Annotated*. Who appoints members? Are there any vacancies on the board? If so, what steps have been taken to fill the vacancies?**

*The current members of the Board along with the appointing authorities for each member are as follows:*

<i>David H. Lillard, Jr.</i>	<i>State Treasurer</i>
<i>Greg Gonzales</i>	<i>Commissioner, Financial Institutions</i>
<i>Martha Wallen</i>	<i>Banks with assets over \$500 million</i>
<i>McCall Wilson</i>	<i>Banks with assets under \$500 million</i>
<i>Thomas Adams</i>	<i>Banking at large</i>
<i>DeWayne Olive</i>	<i>Banking at large</i>
<i>James Bailey</i>	<i>Local Government Representative</i>

*The membership of the Board complies with Tenn. Code Ann. §9-4-506 which provides that the Board shall be composed of seven (7) members as follows: the Commissioner of Financial Institutions; the State Treasurer; one (1) representative of banks and savings institutions with assets of five hundred million dollars (\$500,000,000) or more appointed by the State Treasurer from a list of two (2) nominees submitted by the Tennessee Bankers Association board of directors; one (1) representative of banks and savings institutions with assets of less than five hundred million dollars (\$500,000,000) appointed by the state treasurer from a list of two (2) nominees submitted by the Tennessee Bankers Association board of directors; two (2) representatives of banks and savings institutions at-large appointed by the State Treasurer from a list of two (2) nominees for each*

*representative position submitted by the Tennessee Bankers Association board of directors; and one (1) representative of local governments who shall have at least two (2) years of experience in the field of finance. The local government representative shall be appointed by the State Treasurer for a two (2)-year term from a list of three (3) nominees submitted by the Tennessee County Services Association; the Tennessee Municipal League or the Tennessee County Officials Association.*

- 3. Does the board's membership include public/citizen members? Female members? Members of a racial minority? Members who are 60 years of age or older?**

*The Board's current membership includes five (5) citizen members, one (1) female member, one (1) member of over the age of sixty (60) and no members of a racial minority. Nominating groups are encouraged to nominate qualified individuals for membership who are female, a member of a racial minority and/or over the age of sixty (60) to assist the State Treasurer in complying with Tenn. Code Ann. §9-4-506(g), which provides that in making appointment to the Board, the State Treasurer shall strive to ensure that there is at least one (1) person serving on the Board is sixty (60) years of age or older or is female and that at least one (1) person serving on the Board is a member of a racial minority.*

- 4. How many times did the board meet in fiscal years 2011 and 2012, and how many members were present at each meeting?**

<i>03/02/11</i>	<i>7 members</i>
<i>06/01/11</i>	<i>7 members</i>
<i>01/12/12</i>	<i>7 members</i>

- 5. What per diem or travel reimbursement do members receive? How much was paid to board members during fiscal years 2011 and 2012?**

*Board members are eligible to receive travel reimbursement in accordance with the State Travel Regulations. During 2011 and 2012, there were no reimbursements requested.*

- 6. What were the board's revenues (by source) and expenditures (by object) for fiscal years 2011 and 2012?**

*The Board does not generate revenue and the expenses have been incidental and able to be absorbed by the Department.*

- 7. Is the board subject to Sunshine law requirements (Section 8-44-101 et seq., Tennessee Code Annotated) for public notice of meetings, prompt and full recording of minutes, and public access to minutes? If so, what procedures does the board have for informing the public of its meetings and making its minutes available to the public?**

*The Board is subject to Sunshine law requirements. The Board has promulgated rules relative to notice requirements for Board meetings. Tenn. Comp. R. and Regs. Rule 1700-4-1-.02(2) [BOARD MEMBERSHIP AND OPERATIONS] provides that “[n]otice of Board meetings shall be posted in locations in the State Capitol complex at least forty-eight (48) hours prior to any Board meeting by the Board Secretary.” The Treasury Department is in the process of developing policies and procedures for the posting public notices on the TN.gov public participation calendar and the Department’s website. Should a member of the public wish to be notified by the Department in advance of this Board meeting, the Department will extend to members of the public the option of being placed on an email list that will be used to contact interested individuals in advance of a Board meeting. In addition, public notices of all Board/Commission/Council/Committee meetings, including the Collateral Pool Board, shall be sent to members of the Department’s senior staff so that senior staff members are aware of upcoming Board meetings and can communicate the time, place and meeting agenda to members of the public.*

*Currently, Board meeting minutes are approved by the Board at the next available Board meeting and are available for public inspection once approved. The Department is in the process of ensuring that Board minutes will be posted on the Department website immediately after approval by the Board.*

- 8. Does the board have policies in place to address potential conflicts of interest by board members?**

*The Board does not have a formal conflict of interest policy; however, the Board will be discussing the development and approval of a conflict of interest policy at its next meeting.*

- 9. Has the board promulgated rules as authorized at Section 9-4-508(7), *Tennessee Code Annotated*? If so, please cite the reference.**

*Yes, the Board has promulgated rules that may be found at Tenn. Comp. R. & Regs. Chapter 1700-4-1 [BANK COLLATERAL POOL].*

- 10. What reports does the board prepare on its operations, activities, and accomplishments, and who receives these reports?**

*Reporting is performed by staff for the use of the Board in managing the activities and safety of the participating financial institutions. The reports present the amounts of public deposits, the market value of the collateral pledged, and the performance statistics of the participants.*

- 11. Describe the nature and extent of the board’s activities and any major accomplishments of the past two years.**

*In the past two (2) years, the Board's significant accomplishments are as follows: monitoring the soundness of the current participants; increasing the minimum collateral pledge levels to ensure the protection of the financial institution's deposits; and offering greater protections for depositors as well as participating financial institutions. The Board has also had the Treasury Department's Internal Audit staff compare the target balances reported by the banks to the actual bank statements of the public depositors, and the result of the audit demonstrated compliance by the participating financial institutions.*

**12. How many bank, savings institutions, or other entities have deposited collateral in the collateral pool?**

*While the number of participating financial institutions may vary, currently there are ninety-eight (98) banks and savings institutions that are members of the collateral pool.*

**13. Has the board suspended or disqualified any bank, savings institution or other entity from participating in the collateral pool? If so, for what reasons? Have any decisions been contested?**

*No participant has ever been suspended or disqualified by the Board.*

**14. Describe any items related to the board that require legislative attention and your proposed legislative changes.**

*Currently, there are no items related to the Board or the activity of the Collateral Pool that require legislative attention.*

**15. Should the board be continued? To what extent and in what ways would the absence of the board affect the public health, safety, or welfare?**

*Yes, the Board should be continued. Because of interstate branch banking laws, we are no longer able to accurately measure the amount of in-state public deposits actually held by Tennessee banks, but using conservative estimates, the program covers at least 90% of all public deposits. In the event of a bank failure, deposits covered by the collateral pool program are collateralized and the under collateralized amount is guaranteed by member participants in the pool. Therefore, the State would have no assumed risk in the event of a banking failure by a participating bank. Since the Board assumes the responsibility for oversight of this program, the risk to the State could increase if the program ceases to exist.*

**16. Please list all board programs or activities that receive federal financial assistance and, therefore are required to comply with Title VI of the Civil Rights Act of 1964. Include the amount of federal funding received by program/activity.**

*The collateral pool program receives no federal funding.*

*If the board does receive federal assistance, please answer questions 17 through 24. If the board does not receive federal assistance, proceed directly to question 23.*

**17. Does your board prepare a Title VI plan? If yes, please provide a copy of the most recent plan.**

*N/A*

**18. Does your board have a Title VI coordinator? If yes, please provide the Title VI coordinator's name and phone number and a brief description of his/her duties. If not, provide the name and phone number of the person responsible for dealing with Title VI issues.**

*N/A*

**19. To which state or federal agency (if any) does your board report concerning Title VI? Please describe the information your board submits to the state or federal government and/or provide a copy of the most recent report submitted.**

*N/A*

**20. Describe your board's actions to ensure that board staff and clients/program participants understand the requirements of Title VI.**

*N/A*

**21. Describe your board's actions to ensure it is meeting Title VI requirements. Specifically, describe any board monitoring or tracking activities related to Title VI, and how frequently these activities occur.**

*N/A*

**22. Please describe the board's procedures for handling Title VI complaints. Has your board received any Title VI-related complaints during the past two years? If yes, please describe each complaint, how each complaint was investigated, and how each complaint was resolved (or, if not yet resolved, the complaint's current status).**

*N/A*

**23. Please provide a breakdown of current board staff by title, ethnicity, and gender.**

*Tim McClure  
Roger Henry*

*Asst. CIO / Dir. Cash Mgmt  
Asst. Cash Manager*

*White male  
White male*

**24. Please list all board contracts, detailing each contractor, the services provided, the amount of the contract, and the ethnicity of the contractor/business owner.**

*Highline Data (formerly, Sheshunoff) – This Company provides a peer ranking based on a bank's performance. The Sheshunoff rating is a nationally recognized rating system and is one of the criteria determined to be relevant by the Board since the time of inception of the Collateral Pool Program. The data is obtained electronically on a quarterly basis for approximately \$2,200 per year.*

*Veribanc – This Company provides reports based upon bank call report data. The Board uses this information to help determine the actual performance of a bank. Veribanc obtains the data from the FDIC as it is submitted each quarter. They sort the data by state, and then provide the data for all banks operating in Tennessee in a graphical format that is used by the Board. At one time, this process took sixty man hours each quarter to generate, but this firm provides the service for \$5,700 per year.*

*These are the only contractors used by the Collateral Pool Board. The ethnicity of the companies or their owners is not known.*